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C O N F I D E N T I A L TEL AVIV 001386

SIPDIS

NSC FOR ABRAMS/DANIN

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TAGS: EFIN KWBG IS ISRAELI PALESTINIAN AFFAIRS ECONOMY AND FINANCE

SUBJECT: MARCH REVENUE TRANSFER REDUCED BECAUSE OF PA  
DECISION TO APPEAL COURT CASE

Classified By: DCM Gene A. Cretz for Reasons 1.4 (b,d)

This cable was cleared by ConGen Jerusalem

1. (C) Summary. The GOI released a total of NIS 188 million in funds to the PA in early March. This is made up of NIS 138 million from the regular monthly revenue transfer plus NIS 50 million in previously attached revenues. The regular transfer of NIS 138 million is significantly below the normal monthly amount. Finance Ministry contacts explain this was a result of a decision by the PA to appeal a court case in Israel, which could only move forward with the PA's agreement to attach NIS 122 million in revenues. This amount was deducted from the NIS 260 million in PA revenues collected by the GOI in February, yielding the net transfer amount of NIS 138 million. End Summary.

2. (C) GOI Finance Ministry staffer Rani Loebenstein provided Mission March 3 background on the large reduction in the monthly revenue transfer of March 1 to the PA. He said that a number of months ago the PA had decided to appeal a court case in Israel which originally involved the attachment of NIS 7 million in PA revenues. Over time, the amount of damages alleged by the plaintiff had ballooned to NIS 122 million. As the case moved through the Israeli court system, it finally reached the Supreme Court. According to Loebenstein, Supreme Court Chief Justice Barak agreed for the appeal to move forward only if the full, current amount of alleged damages was attached by the court. PA Finance Minister Fayyad, according to Loebenstein, agreed to this on February 21. (Note: Minister Fayyad told ConGen Economic Chief March 7 that, in order for the ruling to be appealed before the Supreme Court, the PA had to agree in late February to attach the full, updated amount of damages. Had the PA not agreed to this attachment, it would have had to pay the full amount in order for the case to move forward. End Note)

3. (C) Loebenstein claimed that Fayyad had not informed the Finance Ministry of the new attachment, almost leading Loebenstein to transfer the entire monthly revenue collection of NIS 260 million. Loebenstein expressed a degree of anger over having almost been put into the position of having acted against a decision of the Supreme Court. He noted that he had built a relationship of trust with Fayyad over a number of years and could not understand why Fayyad had not been straightforward in this case.

4. (C) Loebenstein said he was particularly embarrassed by this turn of events because he had just pressed the judicial branch hard for the immediate release of an additional NIS 50 million in attached revenues related to a case involving the Menorah insurance company. As he put it, "How do you think it makes me look arguing on the one hand that the PA urgently needs its NIS 50 million on the one hand while the PA is agreeing to attach a far greater amount on the other hand." Loebenstein noted that the Finance Ministry transferred the NIS 50 million to the PA on March 3.

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